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No. _____

IN THE

Supreme Court of the United States

OCTOBER TERM 1992

KALITTA FLYING SERVICE, INC.,
CONNIE KALITTA SERVICES, INC.,
Petitioners,

v.

G.S. RASMUSSEN & ASSOCIATES, INC.,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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QUESTIONS PRESENTED

I. Whether the Court of Appeals' creation of an exclusive property right in an STC conflicts with this Court's decision in *Ruckelshaus v. Monsanto Co.*, 467 U.S. 985 (1984).

II. Whether the Supremacy Clause prohibits the enforcement of an exclusionary property right under state law based upon a federal regulatory scheme not intended to create such a right.

III. Whether a state-created intellectual property right in a federally issued certificate is preempted by federal patent and copyright law, where the subject matter of the right comprises utilitarian products, processes, methods and ideas in the public domain.

IV. Whether the Court of Appeals violated due process by directing summary judgment against petitioner when no motion for summary judgment was made below.

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REPORTS OF OPINIONS DELIVERED IN COURTS BELOW

The opinion for publication of the Court of Appeals, filed March 9, 1992, appears in the Appendix ("App.") hereto. The unpublished memorandum opinion and order granting motion for summary judgment of the United States District Court for the Central District of California, entered on July 17, 1990, also appears in the Appendix hereto.

SUPREME COURT JURISDICTION

The judgment of the Court of Appeals for the Ninth Circuit was entered on March 9, 1992. This petition for certiorari was filed within 90 days of that date. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1). (App. at 35a.)

STATUTES AND OTHER RELEVANT PROVISIONS

28 U.S.C.A. § 1254(1) (West Supp. 1992)

49 App. U.S.C. § 1302(a)(1) (1988)

49 App. U.S.C. § 1302(a)(8) (1988)

49 App. U.S.C. § 1302(a)(9) (1988)

49 App. U.S.C. § 1423(a)(2) (1988)

14 C.F.R. §§ 21.115-21.119 (1992)

14 C.F.R. §§ 21.133-21.143 (1992)

[COMPLETE TEXT IN APPENDIX]

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Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Petitioners Kalitta Flying Service, Inc. and Connie Kalitta Services, Inc.[1] respectfully pray that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Ninth Circuit entered in this proceeding on March 9, 1992. In its opinion, the Court of Appeals held that under California law, Respondent Rasmussen has a property right in a Supplemental Type Certificate (STC) issued by the Federal Aviation Administration (FAA), sufficient to exclude all others from using the STC despite the fact that neither

[1] There are no parent companies or subsidiaries of either corporate petitioner. The caption of Respondent-Appellant Rasmussen's filings before the Court of Appeals also included Conrad A. Kalitta as a Defendant-Appellee. This style was adopted by the Court of Appeals, hence Mr. Kalitta's name appeared in the caption of the Court of Appeals' decision. Mr. Kalitta, however, is not a party to this action, having neither been served nor having submitted to the District Court's jurisdiction. Consequently his name is not included in the caption of this petition. The foregoing information is provided in response to Supreme Court Rules Nos. 14.1(b) and 29.1.

Congress nor the FAA intended to grant such an exclusionary property interest. In particular, the Court of Appeals held that Rasmussen could prevent Kalitta from referring to, or submitting a copy of, an FAA-issued STC in an application to the FAA for an airworthiness certificate. The Court of Appeals also held that this heretofore unknown state-created exclusionary property right was not preempted by federal copyright, patent and aviation laws. Finally, the Court of Appeals ordered partial summary judgment against Kalitta despite the fact that no such request had been made below.

STATEMENT OF THE CASE

Petitioner Kalitta Flying Service, Inc. is a Michigan corporation. Petitioner Connie Kalitta Services, Inc. is a Michigan corporation and is a commercial freight air carrier within the meaning of Parts 121 and 135 of the Federal Aviation Regulations, 14 C.F.R. § 121 *et seq.* (1992), *and* 14 C.F.R. § 135 *et seq.* (1992). They are collectively referred to herein as "Kalitta." Respondent G.S. Rasmussen and Associates, Inc. (Rasmussen) is a company which provides aeronautical engineering design services. Kalitta and Rasmussen are not competitors; rather, Kalitta is a potential customer of Rasmussen's services.

Rasmussen developed a plan to modify DC-8 cargo aircraft to carry higher payloads than permitted by the FAA under the DC-8 "type certificate."[2] Rasmussen calculated and submitted to the FAA technical data demonstrating that it was safe for DC-8s to carry higher payloads under certain specified condi-

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[2] A type certificate is an FAA approval of the airworthiness of a particular aircraft design. Aircraft manufactured in conformance with the design approved by the type certificate are deemed to be airworthy. Thus, a type certificate obviates the need for an individual determination of airworthiness for each aircraft built according to an FAA approved design. *See* 49 App. U.S.C. § 1423(a)(2) (1988); 14 C.F.R. §§ 21.133-21.143 (1992). (App. at 36a, 39a-42a.) A supplemental type certificate represents an approval for the modification to an original design covered by a type certificate. *See* 14 C.F.R. §§ 21.115-21.119 (1992). (App. at 38a-39a.)

tions. (App. at 5a-6a, 25a.) Rasmussen did not seek or obtain protection of its design, method or data under the copyright or patent laws. (App. at 25a.) Similarly, Rasmussen did not treat its design or data as a trade secret (*id.*); it freely disclosed its plan to the FAA with no reasonable expectation of confidentiality.

On the basis of Rasmussen's submissions, the FAA issued a "supplemental type certificate" to Rasmussen approving Rasmussen's modification design. (App. at 6a, 25a.) The STC permits Rasmussen to obtain an airworthiness certificate for DC-8 aircraft modified in conformance with the FAA-approved design covered by the STC. 14 C.F.R. § 21.119(a) (1992). (App. at 39a.) The STC discloses on its face the essentials of Rasmussen's modification design and technical data. (App. at 17a, 43a.)

Rasmussen commercialized its modification design by marketing STC implementation kits to DC-8 owners. The kits were composed of (1) a copy of the STC; (2) three instruments to be installed as part of the modification of the DC-8; and (3) a flight manual supplement. (App. at 25a.)

Kalitta operates DC-8 cargo aircraft, including one DC-8 which had been modified by its prior owner with one of Rasmussen's implementation kits. In July 1987, Kalitta purchased an unmodified DC-8. Rasmussen, having learned of Kalitta's acquisition of the DC-8, attempted to sell Kalitta one of its implementation kits. Kalitta declined. (App. at 6a, 26a-27a.)

Instead, Kalitta, which already had a copy of the STC and flight manual supplement as well as two of the instruments necessary for modifying the DC-8, acquired the remaining required instrument from other commercial sources and modified the DC-8 itself. Kalitta obtained an airworthiness certificate for the modified DC-8 by demonstrating to the FAA that the modifications conformed to a design approved by the FAA. Kalitta did so by referencing the STC number on its

application and providing the FAA with a copy of the STC.[3] (App. at 6a-7a, 28a-29a.)

Rasmussen sued Kalitta for conversion and unjust enrichment, in the United States District Court for the Central District of California. (App. at 29a.) On July 17, 1990, the District Court granted Kalitta's motion for summary judgment, holding that Rasmussen failed to demonstrate the existence of a property right in the STC or implementation kit under federal or California law. (*Id.*) The Court also held that any common law intellectual property right which might arise from an STC would be preempted by federal law, citing this Court's recent decision in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989). (App. at 29a-30a.)

On March 9, 1992, the United States Court of Appeals for the Ninth Circuit reversed the District Court, holding that (1) Rasmussen has a property interest in its STC under California law sufficient to exclude all others from using its STC to obtain an FAA airworthiness certificate (App. at 14a); (2) this property interest is not preempted by federal copyright, patent and aviation statutes (App. at 15a-20a); and (3) Kalitta's use of a photo-copy of the STC to obtain an FAA airworthiness certificate constituted conversion and unjust enrichment under California law (App. at 20a-21a).

The case has been remanded to the District Court with instructions to find liability in favor of Rasmussen. (App. at 20a-23a.) Petitioners have moved for a stay of proceedings pending disposition of this petition and any subsequent proceedings in this Court.

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[3] The FAA does not recognize the STC issued to Rasmussen as granting to Rasmussen an exclusive right to modify DC-8 aircraft according to the FAA-approved design covered by the STC. Any DC-8 owner may obtain an airworthiness certificate to operate a modified DC-8 by demonstrating that its modifications conform to a design approved by the FAA. (App. at 17a, 26a.) In this case, the FAA found Kalitta's DC-8 airworthy because its modifications conformed to the design previously approved in connection with the STC initially issued to Rasmussen. (App. at 6a, 28a-29a.)

REASONS FOR GRANTING THE WRIT

I. THE COURT OF APPEALS' CREATION OF AN EXCLUSIVE PROPERTY RIGHT IN AN STC CONFLICTS WITH THIS COURT'S DECISION IN *RUCKELSHAUS v. MONSANTO CO.*

In *Ruckelshaus v. Monsanto Co.*, 467 U.S. 985 (1984), this Court held that a person who submits data to a federal agency has no "reasonable investment backed expectation" that the agency will refrain from disclosing or using that data to consider applications filed by others, absent a provision of law to the contrary. *Id.* at 1008-10. In particular, this Court held that pesticide manufacturers who submitted data to the EPA could neither prevent the EPA from disclosing or using the data to evaluate other applications nor demand compensation for use of the data. *Id.*

The Court of Appeals' decision in this case allows Rasmussen to do exactly what *Monsanto* forbade — prevent a federal agency from disclosing or using unprotected data in evaluating other applications. It does so by allowing Rasmussen to prohibit other applicants from referring to, or submitting a copy of, the STC issued to Rasmussen in connection with applications to the FAA.[4] The Court of Appeals' ruling usurps from the FAA the power to determine when use or disclosure of unprotected data is in the public interest and grants Rasmussen the power to control and limit the FAA's aircraft certification process.

The Court of Appeals struggled to recognize a heretofore unknown property interest in the STC — and thereby to prohibit other applicants from asking the FAA to consider its prior

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[4] The Court of Appeals focused on the use of the STC, rather than the underlying data, because the data is clearly unprotected under applicable patent, copyright and trade secret laws.

approval of an identical modification — in order to remedy what the Court of Appeals believed was Kalitta's "free-riding" on Rasmussen's efforts.[5] In attempting to prevent Kalitta from "free-riding," however, the Court of Appeals effectively limited the FAA's internal use of Rasmussen's data in evaluating other applications.[6]

Indeed, the rights created by the Court of Appeals are broader and more intrusive into the FAA certification process than those sought and denied by this Court in *Monsanto*. Rasmussen can now not only limit use of its prior efforts and data

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[5] The Court of Appeals defined "free-riding" to be a situation "where third parties enjoy the benefits of a good without having invested the time, money and effort of creating it." (App. at 7a-8a.) Petitioners assert that it was error for the Court of Appeals to rely on the "free rider" or "sweat of the brow" doctrine in creating this property right for Rasmussen in light of this Court's decisions in *Bonito Boats* and *Feist Publications, Inc. v. Rural Telephone Service, Inc.*, ___ U.S. ___, 111 S. Ct. 1282 (1991). In *Bonito Boats*, respondents, which had duplicated Bonito Boats' successful hull design, were clearly "free riding" on Bonito Boats' efforts. Nevertheless, this Court held that when a state cause of action conflicts with a strong federal policy favoring free competition in ideas not patented nor meriting patent protection, the state cause of action is preempted by the Supremacy Clause. 489 U.S. at 156-57. *See also Feist*, ___ U.S. at ___, 111 S. Ct. at 1291 ("sweat of the brow" doctrine did not justify eschewing "the most fundamental axiom of copyright law—that no one may copyright facts or ideas").

[6] The Court of Appeals clearly understood that the only value of the STC was attendant to the FAA's internal consideration of that data in weighing airworthiness applications:

> [Rasmussen's interest] has value *only* because it helps secure a government privilege to do something that would otherwise be forbidden. The time, money and effort Rasmussen devoted to obtaining his STC would largely be wasted but for the fact that they generated the data necessary to satisfy the requirements of the Federal Aviation Act and the Code of Federal Regulations.

(App. at 8a-9a.)

by other applicants, it can also effectively limit the FAA's ability to consider and rely upon the FAA's own prior determinations in issuing aircraft certifications. Consequently, the effect of the Court of Appeals' decision will be to make each certification application an inefficient *de novo* reconsideration of past FAA determinations.

The Court of Appeals based its holding on its determination that Rasmussen had a "reasonable investment-backed expectation" in exclusive rights to the data submitted to obtain the STC. (App. at 14a.) Under this Court's analysis in *Monsanto*, however, Rasmussen had no "reasonable investment-backed expectation" in such rights. Rasmussen did not seek to protect its data under the patent, copyright or trade secret laws. (App. at 25a.) Moreover, FAA regulations do not provide for or promise confidential treatment of data submitted to the agency. Indeed, Rasmussen, being the developer of several STC designs, undoubtedly knew that his data would be made public by the FAA and used by the FAA in evaluating other applications. (App. at 6a n.2, 25a.)

Accordingly, this Court should grant certiorari to determine whether the Court of Appeals erred in protecting data submitted to a federal agency where the submitter of such data has no reasonable investment backed expectation that the federal agency will refrain from utilizing that data in connection with the applications of others.

II. THE COURT OF APPEALS' CREATION OF AN UNPRECEDENTED EXCLUSIONARY PROPERTY RIGHT UNDER STATE LAW BASED UPON A FEDERAL REGULATORY SCHEME NOT INTENDED TO CREATE SUCH A RIGHT RAISES AN IMPORTANT QUESTION AFFECTING THE RELATIONSHIP BETWEEN FEDERAL AND STATE LAW.

The District Court granted summary judgment in favor of Kalitta based upon its conclusion that Rasmussen had no intellectual property right in the STC or the STC implementation kit. (App. at 29a.) In overturning the District Court, the Court of Appeals divined a property right arising from the FAA's grant of an STC sufficient to allow the STC holder to exclude all others from using the STC to obtain an airworthiness certificate. It did not do so easily, however.

The Court of Appeals recognized that under well-established principles of intellectual property law, the materials and instruments used by Kalitta to obtain an airworthiness certificate were publicly available and lawfully acquired.[7] Moreover, the Court of Appeals readily acknowledged that there was no basis for concludng that the FAA or the federal regulatory scheme relating to aircraft certification bestowed upon Rasmussen such an exclusionary property right. (App. at 9a.) To the contrary, in granting Kalitta an airworthiness certificate based upon the STC, the FAA had clearly demonstrated that it did not consider the grant of an STC to Rasmussen to be an exclusionary property interest. *See Doyn Aircraft, Inc. v. Wylie*, 443 F.2d 579, 580 n.1

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[7] The STC is a public document which Kalitta had every right to copy or reference in his FAA application. (App. at 7a n.4, 9a, 17a, 25a.) The flight manual supplement was uncopyrighted and in the public domain. (App. at 16a, 25a.) The instruments used to modify the aircraft were neither patented nor protected as trade secrets. (App. at 25a.)

(10th Cir. 1971) ("[STCs] do not ... grant exclusive rights since any number of people can acquire an STC for the same type of modification.") (*cited in* App. at 17a).

Recognizing that neither Congress nor the FAA had intended to create an exclusionary property right in STCs (App. at 9a), the Court of Appeals turned to the admittedly broad state law of California relating to the definition of property.[8] After consideration of cases dealing with non-exclusive property rights, the Court of Appeals determined that California law would recognize an exclusionary property right arising from the FAA's grant of an STC despite the fact that neither Congress nor the FAA intended to grant such a right.[9] (App. at 9a-14a.)

In creating an exclusionary state property right based upon the federal grant of an STC, the Court of Appeals has raised important and troubling questions relating to the relationship between federal regulations and state property law. In recognizing state property rights arising from federal regulations where no such rights were intended by the regulatory scheme, the Court of Appeals has invited states to divine new and far-reaching rights and privileges from federal regulations. Moreover, the Court of Appeals' decision has opened a Pandora's box from

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[8] The Court of Appeals erroneously stated in its opinion that the parties agreed upon the application of California law. (App. at 11a.) The fact that Kalitta disputed the basis for those causes of action which Rasmussen had filed under California law in no way constituted an agreement that California law governed the parties' dispute. In point of fact, there is little reason to believe that the law of California should apply to the facts of this case. Kalitta is located in Michigan, and all actions taken in obtaining an airworthiness certificate occurred in Michigan or in Washington, D.C.

[9] The Court of Appeals looked to cases, for example, dealing with property interests in state-granted liquor licenses. (App. at 11a-12a.) While the holder of a liquor license may have a property interest in his license, he does not ordinarily have an intellectual property right to prevent all others from using his ideas or data in order to obtain their own liquor licenses.

which will spring innumerable, conflicting state-created property rights ostensibly arising from federal regulations.

The application of these state-created rights will inevitably undermine and disrupt the very regulatory schemes from which it is claimed that the property rights spring. Indeed, the direct effect of the Court of Appeals' holding will be to disrupt and interfere with the FAA's regulation of interstate aviation. The immediacy and extent of this threat is apparent from a review of the facts of this case.

Kalitta is located in Michigan, and all actions taken in obtaining certification of Kalitta's DC-8 were taken in Michigan or Washington, D.C. The Court of Appeals readily acknowledged that Kalitta's actions did not violate federal law.[10] Moreover, there is no reason to believe that Kalitta's actions violated any Michigan law. Nonetheless, the Court of Appeals' decision allows California to project its law upon Kalitta on the sole basis that Kalitta is engaged in interstate aviation with operations in California.

As a result, all future applicants to the FAA, no matter where located, will be bound by the law of California (and presumably any of the other 49 states that wish to indirectly regulate aviation or the aircraft certification process) if the scope of their aviation activities is national. The only way such an applicant could avoid liability under California law for doing that which it is authorized to do in its home state, would be to limit its aviation activities to avoid service to California. Allowing California to prohibit or discourage out-of-state feder-

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[10] As the Court of Appeals noted:

> That this enumeration of rights and privileges [in the FAA regulations] is insufficient, of itself, to establish property rights is clear from the facts of this case: Kalitta had no trouble obtaining the airworthiness certificate by filling in the number of Rasmussen's STC and providing a photocopy thereof.

(App. at 9a.)

ally certificated air carriers from entering California strikes at the very heart of federal regulation of aviation.[11] *Cf. North Dakota v. United States*, 460 U.S. 300, 317-21 (1983) (state property laws which interfere with efficacy of federal regulatory program must yield to federal concerns); *Raymond Motor Transp., Inc. v. Rice*, 434 U.S. 429, 447-48 (1978) (state regulations restricting operation of trucks over 55 feet long and of double-trailer trucks travelling upon interstate highway burdened interstate commerce); *Bibb v. Navajo Freight Lines, Inc.*, 359 U.S. 520, 529-30 (1959) (state statute requiring use of contour rear fender mudguards on trucks and trailers operated on highways of state burdened interstate commerce).

More importantly, the effect of allowing California and other states to restrict or burden access to FAA certification by imposing the risk of liability on applicants will be to interfere with the FAA's ability to regulate aircraft safety efficiently. The very purpose of issuing STCs is to streamline the certification process and to advance the state of the art in safety design. If state-created property rights in STCs effectively prevent the FAA from relying on its prior considerations of aircraft designs, incremental design modifications quite literally will require the reinvention of the wheel.[12]

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[11] The FAA's mandate includes the goals of ensuring the safety of aviation and fostering interstate aviation. 49 App. U.S.C. § 1302(a)(1), (8), (9) (1988). (App. at 35a-36a.)

[12] Indeed, Rasmussen's modification design—itself an incremental improvement on the original DC-8 type certificate—depends upon and incorporates substantial prior work and testing performed by the original aircraft manufacturer which Rasmussen was not required to duplicate. Since there was no evidence adduced to suggest Rasmussen had permission to use the original DC-8 type certificate in *its* application to the FAA, the Court of Appeals has extended protection to an STC which was itself the fruits of "piracy."

The practical result of the Court of Appeals' decision will be the creation of enormous inefficiencies and increased costs in the aircraft certification process. Such unreasonable burdens upon the national federal regulatory scheme affecting interstate commerce must give way under the Supremacy Clause.

This Court should therefore grant certiorari to determine whether the Court of Appeals erred in creating an exclusionary property right under state law based upon a federal regulatory scheme not intended to create such a right.

III. THE COURT OF APPEALS' DECISION CONFLICTS WITH THIS COURT'S DECISIONS IN *BONITO BOATS, INC. v. THUNDER CRAFT BOATS, INC.* AND *FEIST PUBLICATIONS, INC. v. RURAL TELEPHONE SERVICE CO.*

In recognizing and enforcing a state-created exclusive right in STCs, the Court of Appeals created new law in direct conflict with this Court's decisions in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989), and *Feist Publications, Inc. v. Rural Telephone Service Co.*, ___ U.S. ___, 111 S. Ct. 1282 (1991).

In *Bonito Boats*, this Court reaffirmed the well established rule that utilitarian ideas, products, processes and methods disclosed to the public without the protection of a valid patent may not be removed from the public domain by state law. 489 U.S. at 156-57. *Bonito Boats* involved a Florida statute which prohibited duplication of unpatented hull designs through the direct molding process. Although the Florida statute did not prohibit all means of duplicating hull designs, it granted to the original designer the "patent-like" right to exclude all others from copying its hull design through direct molding. 489 U.S. at 144-45. Noting that the efficient operation of the federal patent system depends upon the free trade in publicly known unpatented ideas,

this Court held that the Florida statute was preempted by the Supremacy Clause. *Id.* at 167-68.

This Court reached a similar result regarding the application of the copyright laws in *Feist*. In *Feist*, this Court held that facts contained in a copyrighted work are in the public domain and thus freely useable by all. ___ U.S. at ___, 111 S. Ct. at 1288, 1289. In reaching this conclusion, this Court specifically rejected the "sweat of the brow" or "free-rider" doctrine upon which the Court of Appeals relied in this case. ___ U.S. at ___, 111 S. Ct. at 1295.

The Court of Appeals held that Rasmussen's state-created property right in an STC was not "patent-like" and thus was not preempted by *Bonito Boats*. (App. at 17a.) The Court of Appeals concluded that this novel property right was not "patent-like" because Rasmussen purportedly claimed no exclusive right to modify DC-8s as described in its STC. Indeed, the Court of Appeals noted that Kalitta or anyone else remained free to perform the necessary studies to obtain an identical STC from the FAA. *Id.*

The Court of Appeals, however, misinterpreted the concept of "patent-like" rights referred to by this Court in *Bonito Boats*. The nature of the patent grant is a right of exclusion of others from making, using or selling the claimed product, process or method. *See United Shoe Mach. Corp. v. United States*, 258 U.S. 451, 463 (1922). The plain effect of the Court of Appeals' holding is that Kalitta cannot freely use the public non-patented knowledge which it lawfully acquired.

The Court of Appeals' judgment prevents Kalitta from availing itself of the most practicable means of using the information it found in the public domain — submitting a copy of the STC to the FAA. Preemption is not avoided, however, merely because Kalitta could have duplicated Rasmussen's effort and obtained an STC for the same type of modification. That argument was specifically rejected by this Court in *Bonito*

Boats, in which the Court found that the Florida statute at issue conflicted with federal patent law even though it banned only one means of reproducing a public domain design:

> It is difficult to conceive of a more effective method of creating substantial property rights in an intellectual creation than to eliminate the most efficient method for its exploitation. *Sears* and *Compco* protect more than the right of the public to contemplate the abstract beauty of an otherwise unprotected intellectual creation — they assure its efficient reduction to practice and sale in the marketplace.

489 U.S. at 164.

The effect of the Court of Appeals' holding is to permit enforcement of the patent-like right of exclusive use of nonpatented utilitarian design information. This novel property right is even broader, in duration and in immunity from challenge, than would be permitted by federal patent law. If Rasmussen's design and data constituted patentable subject matter, the duration of any patent grant awarded could not exceed 17 years. *See Brulotte v. Thys Co.*, 379 U.S. 29, 31 (1964). As a result of the Court of Appeals' decision, however, Rasmussen now has exclusive rights in an STC forever.[13]

The Court of Appeals' judgment creates an equally clear conflict with federal copyright law. The Court of Appeals conceded that if Rasmussen claimed an exclusive right to copy the STC or the flight manual supplement, "his claim would surely be preempted by the Copyright Act." (App. at 15a.) The Court of Appeals, however, found no preemption because the

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[13] Similarly, while a patent is subject to challenge on a number of grounds, Rasmussen's property interest is apparently immune from attack since it is not subject to such patentability requirements as nonobviousness and novelty.

interest Rasmussen claimed was not the right to copy, but rather "the right to *use* the STC as a basis for obtaining an airworthiness certificate for an airplane that is modified in a particular way": (App. at 15a.)

> Enforcement of Rasmussen's property right in his STC leaves Kalitta free to make as many copies of the certificate as it wishes; to the extent the manual supplement is not protected by the copyright laws, the same is true of it. That Kalitta is prevented from then using these copies to obtain an airworthiness certificate from the FAA does not interfere in any way with the operation of the copyright laws.

(App. at 16a.)

The Court of Appeals' distinction between the right to "copy" and to "use" uncopyrighted matter renders the federal copyright scheme a nullity. The right to copy materials in the public domain necessarily contemplates the right to make practical or commercial use of the materials. By prohibiting the only practical use of the STC and flight manual supplement, the Court of Appeals has permitted Rasmussen to interfere with the right to copy materials in the public domain. In doing so, the Court of Appeals has created an intellectual property interest of greater breadth and duration than Rasmussen would have acquired had he obtained a copyright.

The federal right to copy and use materials in the public domain is secured by the Copyright Act. The state-created right to prohibit use of documents, facts and ideas in the public domain conflicts with federal copyright law and must be preempted. *Baker v. Selden*, 101 U.S. 99, 103 (1880).

The Court of Appeals strained to find a novel remedy under California law for what it apprehended as a "free-rider" problem. As this Court stated in *Bonito Boats*, however, "[t]he States are simply not free in this regard to offer equivalent protections to

ideas which Congress has determined should belong to all." 489 U.S. at 164-65. The application of a California law restricting the use of lawfully acquired, publicly disclosed non-patented and non-copyrighted information stands as an obstacle to the accomplishment and execution of the full purposes of Congress, *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941), and consequently must yield to federal patent and copyright law policy.

This Court should therefore grant certiorari to determine whether the Court of Appeals' judgment is in conflict with this Court's decisions in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.* and *Feist Publications, Inc. v. Rural Telephone Service Co.*

IV. THE COURT OF APPEALS DEPRIVED PETITIONERS OF DUE PROCESS BY REMANDING WITH INSTRUCTIONS TO THE DISTRICT COURT TO CONSTRUE THE TERMS OF AN IMPLIED CONTRACT BETWEEN RASMUSSEN AND KALITTA.

The Court of Appeals, in reversing the District Court's grant of summary judgment in Kalitta's favor, instructed the District Court to fix the terms of an implied contract between Rasmussen and Kalitta, based on further evidence.[14] (App. at 21a.) Thus, despite the fact that Rasmussen had filed no cross motion for summary judgment, the Court of Appeals not only reversed the District Court's grant of summary judgment on Kalitta's motion, but also, effectively entered summary judgment in Rasmussen's favor. In doing so, the Court of Appeals denied Kalitta its right to a trial on disputed factual issues which have not been resolved by the trier of fact. Indeed, given the narrow legal focus of Kalitta's motion for summary judgment, little evidence relating to factual issues underlying Rasmussen's claims was submitted to the District Court.

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[14] The Court of Appeals also held that Kalitta was guilty of tortious conversion under California law. (App. at 20a-21a.)

This Court held in *Fountain v. Filson*, 336 U.S. 681, 683 (1949), that a court of appeals, when reviewing a district court's grant of summary judgment in favor of a defendant-appellee, may not order summary judgment against that party on an issue not raised in any summary judgment motion below.

In this case, Kalitta's motion for summary judgment, and the District Court's opinion, dealt with two narrow issues: (1) the legal sufficiency of Rasmussen's alleged property interest; and (2) the legal sufficiency of Rasmussen's claims seeking to enforce that interest. Those issues were briefed and decided without addressing liability, and Rasmussen made no cross motion for summary judgment on any issue. Consequently Kalitta had no opportunity to contest numerous disputed facts material to the issue of liability.[15]

Kalitta respectfully requests that this Court grant certiorari to remedy this deprivation of its right to trial.

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[15] For example, although the Court of Appeals' decision is expressly based on the application of California law, neither the District Court nor the Court of Appeals considered evidence or legal authority relating to the choice of law issue. Moreover, Kalitta denied many of Rasmussen's allegations, and raised numerous legal and equitable defenses (including waiver and expiration of the applicable statute of limitations), material to the issue of liability. Kalitta has never had the opportunity to present evidence on these issues.

CONCLUSION

For the foregoing reasons, this petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX A

No. 90-56010
D.C. No. CV-89-1339-RG

FOR PUBLICATION

United States Court Of Appeals

FOR THE NINTH CIRCUIT

G.S. RASMUSSEN & ASSOCIATES, INC.,
Plaintiff-Appellant,

v.

KALITTA FLYING SERVICE, INC.;
AND CONNIE KALITTA SERVICES, INC.;
CONRAD A. KALITTA
Defendants-Appellees.

OPINION

Appeal from the United States District Court
for the Central District of California

Richard A. Gadbois, Jr., District Judge, Presiding

Argued and Submitted
August 15, 1991 — Pasadena, California
Filed March 9, 1992

Before: J. Clifford Wallace, Chief Judge, Alfred T. Goodwin and Alex Kozinski, Circuit Judges.

Opinion by Judge Kozinski

SUMMARY

INTELLECTUAL PROPERTY/REMEDIES

The court of appeals affirmed in part and reversed in part a district court judgment, remanding for further proceedings. The court held that the use of an FAA Supplemental Type Certificate (STC) to obtain a government privilege is a property right under California law, that protection of that right is not preempted by federal law, and that misuse of the STC may warrant claims for conversion and unjust enrichment.

Appellant George Rasmussen, an aeronautical engineer, developed an aircraft modification that allows DC-8 cargo airplanes to carry considerably more weight than was permitted under their original FAA certification. Based on hundreds of hours of engineering work, Rasmussen prepared and submitted volumes of technical data to the FAA for the purpose of establishing that it was safe for heavily loaded DC-8s to fly within an indicated speed range. The FAA granted him an STC. Ordinarily, a person seeking to obtain airworthiness certification to operate a DC-8 with such heavy loads would be required to modify the plane by installing three particular instruments, to provide a special supplement to the flight manual instructing the pilot how to fly the heavily loaded plane, and to show Rasmussen's STC to an FAA inspector to verify that the modifications conform to an FAA-approved design. Appellee Kalitta Flying Service, Inc., already the owner of a Rasmussen-equipped DC-8, bought another DC-8 and converted it to cargo use. Rasmussen offered to license his STC to Kalitta, but Kalitta declined. Instead, Kalitta copied the supplemental flight manual it already owned, obtained the three necessary instruments from another source, and simply typed the number of Rasmussen's STC on the appropriate place on the FAA's application for an airworthiness certificate. The FAA certified the modified plane as airworthy. Rasmussen sued for conversion of his STC and for unjust enrichment. The district court granted summary

judgment for Kalitta, holding that Rasmussen had no protectable property interest in the STC and that, in any event, his action was preempted by federal copyright and patent laws.

[1] The law generally favors the establishment of property rights. **[2]** Rasmussen's interest has value only because it helps secure a government privilege to do something that would otherwise be forbidden. **[3]** There is no implied private right of action under the Federal Aviation Act. **[4]** California law defines property very broadly. **[5]** That the interest here is limited to obtaining a governmental privilege does nothing to diminish its status as a property interest under that law. **[6]** Three criteria must be met before a property right will be recognized: there must be an interest capable of precise definition, it must be capable of exclusive possession or control, and the putative owner must have established a legitimate claim to exclusivity. **[7]** Here, the nature and extent of the rights afforded by an STC are capable of precise definition, **[8]** there are no conceptual or practical difficulties in restricting the right to the holder of the STC or an authorized transferee, and **[9]** Rasmussen's labors and investments reasonably give rise to a legitimate claim of exclusive control over the STC. **[10]** Thus, Rasmussen had a property interest in his STC under California law unless it conflicted with federal law.

[11] Federal copyright law governs only copying. That Kalitta would be prevented from using copies of the flight manual or the certificate to obtain FAA certification does not interfere with operation of the copyright laws. **[12]** Granting Rasmussen a property right in his STC will serve many of the same purposes of the patent law, because it will promote innovation in the field of aeronautics. But patent policy is not disturbed by the existence of another form of incentive to invention. Thus, there is no patent law preemption. **[13]** Finally, recognizing a property right in STCs would not frustrate the Federal Aviation Act or the regulations promulgated thereunder.

[14] Under California law, Kalitta tortiously converted Rasmussen's STC because Rasmussen had an ownership interest in the STC, because Kalitta obtained a valuable benefit as a consequence of unauthorized use of the STC, and because Rasmussen suffered damages. **[15]** Further, California courts would imply a contract between Kalitta and Rasmussen. The facts indicate that Kalitta materially benefitted from the STC but paid nothing. On remand, the district court will fix the terms of the contract, based on further evidence.

COUNSEL

Michael W. Stamp, Stamp and Franklin, Pacific Grove, California; W. Montgomery Jones, Jones and Jones, Monterey, California, for the plaintiff-appellant.

Robert H. Morse, Galland, Kharasch, Morse & Garfinkle, P.C., Washington, D.C.; C. Darryl Cordero, Weissburg & Aronson, Los Angeles, California, for the defendants-appellees.

OPINION

KOZINSKI, Circuit Judge:

We shuttle back and forth between federal and state law in determining what legal protections — if any — are available to the holder of certain aircraft design permits issued by the Federal Aviation Administration.

Facts

A. The FAA is charged by Congress with promoting air safety, see 49 USC § 1421(a), and pursues this mission vigorously and effectively in cooperation with the private aviation industry. One of the FAA's most important functions is to prescribe standards and to measure compliance with a multistep certification process for airplane design and production. See generally *United States v. Varig Airlines*, 467 US 797, 804-07 (1984).

Because the certification procedure is complex and expensive, the FAA certifies airplane types rather than individual planes. Aircraft manufacturers are required to test and analyze new airplane designs themselves; the FAA then determines the airworthiness of the design based on the manufacturer-generated engineering data and test results.[1] Once a manufacturer has demonstrated the safety of its design, the FAA issues it a Type Certificate. See 49 USC § 1423(a)(2); 14 CFR § 21.21(b). The manufacturer can then obtain a production certificate by proving to the FAA that each duplicate airplane will comply with the Type Certificate. See 49 USC § 1423(b); 14 CFR §§ 21.133-21.143. Finally, the manufacturer can obtain airworthiness certification for subsequent aircraft, without undergoing independent testing, by demonstrating that they conform to the Type Certificate. See 49 USC § 1423(c); 14 CFR § 21.183.

This case involves a closely related FAA certification scheme: Supplemental Type Certificates (STCs) — which, as the name implies, certify changes to planes already type-certificated. Anyone who wishes to make a major alteration to an airplane must obtain an STC. 14 CFR § 21.113. The STC serves the same function for alterations as the Type Certificate does for initial manufacture: It allows the FAA inspector to shortcut the airworthiness certification process by incorporating an approved design. STCs are obtained through the same arduous process as Type Certificates: The applicant must present engineering and test data sufficient to prove to the FAA the airworthiness of the proposed modification. See 14 CFR §§ 21.115-21.117.

B. George Rasmussen is an aeronautical engineer. He calculated safe airspeed parameters for DC-8 cargo planes car-

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[1] The certification may be by FAA employees or by designated engineering representatives — private sector experts in the field. See 14 CFR § 183.29.

rying significantly more weight than they were designed for, and developed an aircraft modification that allows DC-8s to carry tens of thousands more pounds than permitted under their original Type Certificate. Based on hundreds of hours of engineering work, Rasmussen submitted volumes of technical data to the FAA. Having thus proved that it was safe for heavily loaded DC-8s to fly within his calculated speed range, he was granted an STC.[2]

For a DC-8 owner to obtain airworthiness certification to operate a plane with the increased cargo capacity, he must meet three requirements: First, he must modify the aircraft by installing three instruments — two airspeed indicators and a maximum speed warning gauge; second, the plane must carry a supplement to the flight manual instructing the pilot how to fly the heavily loaded plane safely; third, Rasmussen's STC must be shown to the FAA inspector so he can verify that the modifications conform to a design that has been approved by the FAA as airworthy. Without Rasmussen's STC, the plane owner would have to obtain his own STC by independently proving to the FAA that the modification was safe.

Kalitta owns and operates cargo aircraft. In 1985, it bought a used DC-8 passenger airplane. It proceeded to convert the plane to cargo use, a use that would be uneconomical without the modification described in Rasmussen's STC. Rasmussen offered to license the STC to Kalitta for $95,000, but Kalitta declined. Instead, in the district court's words, "Kalitta decided to 'pirate' the Rasmussen STC." Kalitta copied the supplemental flight manual from a Rasmussen STC-equipped DC-8 it already owned,[3] and obtained the three necessary instruments

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[2] Rasmussen holds more than 20 STCs. For simplicity we will discuss only the particular DC-8 cargo capacity STC involved in this case. For the same reason, we will refer to the plaintiff as Rasmussen even though his STCs have at various times been held by different corporations under his control.

[3] This plane and another owned by Kalitta are also involved in this action. See Discussion, section C.2 below.

from sources other than Rasmussen. It installed them on the airplane and applied to the FAA for an airworthiness certificate; it typed the number of Rasmussen's STC on the appropriate line of the application, and included a photocopy of the certificate itself.[4] Kalitta's modification conformed with Rasmussen's validly issued STC. The FAA certified Kalitta's modified DC-8 as airworthy.

Taking the position that Kalitta was free-riding on his effort, Rasmussen sued for conversion of his STC and for unjust enrichment. The district court granted summary judgment for Kalitta, holding that Rasmussen had no protectable property interest in the STC and, in any event, that his action was preempted by the federal copyright and patent laws.[5]

Discussion

A. *Is There a Property Right?*

[1] How property rights in new goods and services are established and defined is a question of considerable significance in a society, such as ours, where private ownership is the principal incentive for the creation and maintenance of commodities, and for their efficient allocation. The failure or inability to recognize private property rights in certain types of goods often leads to a variety of adverse effects. One phenomenon, known as the tragedy of the commons, is the overuse of public goods because individual users do not suffer the full cost of their consumption. A related phenomenon is the free-rider problem, where third parties enjoy the benefits of a good without having invested the time, money and effort of

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[4] It appears that the FAA does not require an original STC as part of the application process; indeed, because there is only a single original of any particular STC, airworthiness applications necessarily include only a copy of the certificate.

[5] The district court had jurisdiction pursuant to 28 USC § 1332(a)(1). We have jurisdiction over this timely appeal pursuant to 28 USC § 1294(1).

creating it. While the tragedy of the commons results in the overconsumption of existing goods, the free-rider problem discourages the creation of new goods. In order to avoid such inefficiencies, the law generally favors the establishment of property rights. See, for example, *International News Service v. Associated Press*, 248 US 215 (1918).

Giving innovators the exclusive right to reap the benefits of their efforts compensates them for the costs of innovation, the risk of failure and the potential liability that can arise if the product proves defective.[6] If successful entrepreneurs are denied such exclusive rights, they will be less likely to invest the necessary time, money and energy into innovation.[7] It is with these considerations in mind that we turn to the unusual facts before us.

[2] Rasmussen's interest is of a most interesting and peculiar sort, one that may become more prevalent as we continue to witness the expansion of the regulatory state: It has value *only* because it helps secure a government privilege to do something that would otherwise be forbidden. The time, money and effort Rasmussen devoted to obtaining his STC would largely be wasted but for the fact that they generated the data

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[6] Rasmussen, for example, could be held liable for huge damage awards if a plane modified pursuant to his STC crashes. Cf. *Elsworth v. Beech Aircraft Corp.*, 37 Cal 3d 540 (1984) (affirming damages award against airplane manufacturer despite FAA approval under Type Certificate), cert denied, 471 US 1110 (1985). This type of risk can be a substantial barrier to the production of new and useful products. See Peter W. Huber, *Liability: The Legal Revolution and its Consequences* 153-71 (1988).

[7] Of course, giving incentives to creative talent is not the only important consideration in determining the existence and extent of a property interest. Thus, granting patent rights for infinite duration might well result in an immediate increase in inventions, but would doubtless also impoverish the body of shared knowledge from which future inventors must draw in creating useful products in the future. The patent laws therefore grant protection for only a limited time. See 35 USC § 154 (seventeen years).

necessary to satisfy the requirements of the Federal Aviation Act and the Code of Federal Regulations.

Under the applicable FAA regulations, an STC is granted upon the presentation of certain documentation, which normally can be obtained only through expensive and time-consuming design, experimentation and testing. 14 CFR §§ 21.115-21.117. Moreover, an STC is issued to a particular individual and entitles the holder to specific privileges. Id § 21.119. The STC is transferable and it may be licensed, in accordance with FAA procedures. Id § 21.47.[8]

That this enumeration of rights and privileges is insufficient, of itself, to establish property rights is clear from the facts of this case: Kalitta had no trouble obtaining the airworthiness certificate by filling in the number of Rasmussen's STC and providing a photocopy thereof.[9] Whatever rights the regulations may provide, therefore, are not self-executing, and it is unclear whether Rasmussen could have challenged the FAA's action in issuing the airworthiness certificate to Kalitta.[10]

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[8] The district court concluded that STCs are not transferable because section 21.47 refers only to Type Certificates. Rasmussen's STC states on its face, however, that it can be transferred "in accordance with" the Type Certificate regulation. CR 48 exhibit Q. Furthermore, the second page of the STC is titled "transfer endorsement" and states that when completed and returned "the FAA will reissue the certificate in the name of the transferee and forward it to him." Id. The parties do not dispute that STCs are transferable.

[9] Why this is so is a mystery. A straightforward reading of the regulations would suggest that only a holder of an STC is entitled to an airworthiness certificate. See 14 CFR § 21.119(a). Kalitta did not hold the certificate either originally or as a transferee or licensee. Because the FAA did not participate in this case as a party or amicus, we have no authoritative way of determining whether issuance of the airworthiness certificate to Kalitta was a mistake, or whether the privilege granted by section 21.119 is narrower than it appears.

[10] Rasmussen might have been entitled to bring an APA action challenging the issuance of the STC, had he acted in a timely fashion. See *Oregon*

There are many reasons why a federal agency would choose not to police property rights that might be created incidental to its regulatory scheme. Here, for example, the purpose of the federal aviation statutes and regulations is to assure air safety. *Varig Airlines*, 467 US at 804-05. The FAA may well have contemplated that holders of STCs would have the exclusive right to obtain airworthiness certificates, but the agency may deem it too burdensome to keep track of the hundreds, perhaps thousands, of STCs outstanding; it may lack the facilities and the expertise to adjudicate questions of joint ownership, transfer, license and the multitude of other issues that routinely arise when property rights are involved. The FAA may have decided it could best pursue its mission by granting airworthiness certificates to whoever can show compliance with a validly issued STC, leaving questions of property law to the courts. Cf. Wall St. J. B7 (Jan. 23, 1992) (discussing trademark dispute between two airlines, in federal court "because [in 1988] the Department of Transportation discontinued its decades-old practice of settling airline name disputes").

[3] Rasmussen argues that even if the regulatory agency is unwilling or unable to enforce his rights, federal law can nevertheless provide an enforcement mechanism by recognizing an implied right of action under the federal aviation regulations. Pursuant to the four-part test articulated in *Cort v Ash*, 422 US 66 (1975), we have previously held that there is no implied

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Environmental Council v. Kunzman, 714 F2d 901, 903 n 2 (9th Cir 1983). We need not decide this issue because Rasmussen's failure to bring such an action is no bar to his bringing the current action under state law. The APA action would, in effect, be seeking to cancel what Rasmussen claims is an infringement of his exclusive privilege granted by the FAA regulations. The current action seeks a different remedy: compensation for the benefit bestowed upon Kalitta by use of the right Rasmussen claims was granted exclusively to him. Rasmussen was entitled to choose which of these remedies to pursue. See *Koratron Co. v. Deering Milliken Inc.*, 418 F2d 1314, 1317-18 (9th Cir 1969), cert denied, 398 US 909 (1970).

private right of action under the Federal Aviation Act. See *Montgomery v American Airlines, Inc.*, 637 F2d 607, 609-10 (9th Cir 1980), cert denied, 450 US 920 (1981). We reach the same conclusion here, particularly where plaintiff's claim is grounded in the regulations rather than the statute itself: Two of the *Cort* factors turn on the furtherance or hindrance of congressional objectives — an amorphous consideration that becomes even more attenuated when applied to regulations.

[4] Because federal law plays a significant role in defining the right but provides no mechanism of private enforcement, we must turn to state law in determining whether Rasmussen's interest amounts to a property right. Cf. *Board of Regents v Roth*, 408 US 564, 577 (1972) ("Property interests ... are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law...."). The parties agree that the appropriate state law is that of California, which defines property very broadly: "The ownership of a thing is the right of one or more persons to possess and use it to the exclusion of others.... [T]he thing of which there may be ownership is called property." Cal Civil Code § 654. This somewhat tautological definition leaves unanswered the key question: How does one determine whether someone is entitled to exclusive use or possession of the thing in question?

Another provision of California law, giving examples of intangible property interests, is more helpful. The list includes the following: "[T]he composition of an author, the good-will of a business, trade-marks and signs, and ... rights created or granted by statute." Id § 655. Also helpful are decisions of the California courts determining whether various interests amount to property. A state liquor license, for example, is property under California law. *Golden v State*, 133 Cal App 2d 640, 643-45 (1955). The *Golden* court found dispositive that the license was issued to a specific person and was transferable from

one person to another. It is thus relevant that the STC involved in this case states on its face that "This certificate [is] issued to G.S. Rasmussen" and that "This certificate may be transferred." See also *Yuba River Power Co. v Nevada Irrigation Dist.*, 207 Cal 521, 523 (1929) ("the term 'property' is sufficiently comprehensive to include ... everything which one person can own and transfer to another").

[5] That the interest in question is limited to obtaining a governmental privilege, and a federal one at that, does nothing to diminish its status as a property interest for purposes of state law. As the California Supreme Court has stated, "[a]lthough a ... license is merely a privilege so far as the relations between the licensee and the state are concerned, *it is property in any relationship between the licensee and third persons*, because the license has value and may be sold." *Roehm v County of Orange*, 32 Cal 2d 280, 282-83 (1948) (emphasis added).[11] The interest need not be one that was considered property at common law and, of course, need not be tangible. *City of Oakland v Oakland Raiders*, 32 Cal 3d 60 (1982) (property right in professional football franchise); see also *Terrace Water Co. v San Antonio Light and Power Co.*, 1 Cal App 511, 513 (1905) (electricity); *Johnston v Twentieth Century-Fox Film Corp.*, 82 Cal App 2d 796, 807-13 (1947) (book title).

[6] To the extent we can distill a principle on the basis of this somewhat amorphous body of law, three criteria must be met before the law will recognize a property right: First, there must be an interest capable of precise definition; second, it must

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[11] The FAA might decide to alter or revoke the exclusivity of STCs; we express no view on whether such a regulatory action by the licensing body could constitute a taking requiring just compensation. See *Ruckelshaus v Monsanto Co.*, 467 US 986, 1004-14 (1984). The distinction drawn in *Roehm* between rights vis-a-vis private parties and rights vis-a-vis the governmental entity that gave rise to the right may well be dispositive of this issue.

be capable of exclusive possession or control;[12] and third, the putative owner must have established a legitimate claim to exclusivity.[13] The interest Rasmussen asserts here easily meets these criteria.

[7] The nature and extent of the rights afforded by an STC are capable of precise definition: It enables an airplane owner to obtain an airworthiness certificate for a particular design modification without the delay, burden and expense of proving to the FAA that a plane so modified will be safe. Federal law also limits the interest in a significant way: The rights created by an STC are only applicable to airplanes within the safety jurisdiction of the FAA — "civil aircraft in air commerce." 49 USC § 1421(a). Thus, Kalitta is free to make Rasmussen's modification on airplanes it flies entirely outside the United States. Id § 1301(23) (defining "air commerce").

[8] Nor are there any conceptual or practical difficulties in restricting the right to the holder of the STC, or to someone who is a transferee or licensee. In fact, the federal regulations contemplate exactly that. Rasmussen's interest is thus precisely defined and capable of exclusive possession.

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[12] As the saying goes, some of the best things in life are free, and the reason may be that they cannot be reduced to possession: The air we breathe, scenic views, the night sky, the theory of relativity and the friendship of others cannot be reduced to possession and therefore cannot be the basis of property rights.

[13] Opinions defining property for takings purposes often use the phrase "reasonable investment-backed expectations" to describe such claims. See, for example, *Monsanto*, 467 US at 1005; *Long Beach Equities, Inc. v County of Ventura*, 231 Cal App 3d 1016, 1038 (1991). The phrase aptly describes the nature of the interest needed to establish property rights for purposes of California law. The degree of investment — monetary or otherwise — is relevant, especially when dealing with intangibles, in determining whether the purported owner has developed a stake in the thing sufficient to warrant invoking the protections of the law of property.

[9] The final requirement — that Rasmussen have established a legitimate claim to exclusivity — is also amply met here. Rasmussen expended considerable time and effort in research and design; he conducted the appropriate tests and compiled the necessary data; he prepared an operations manual and lined up an instrument manufacturer; he convinced the FAA that the modification is safe; and he obtained a certificate which results in preferential rights in the issuance of airworthiness certificates by the FAA. Without Rasmussen's efforts, the STC Kalitta relied on simply would not exist. Rasmussen has the type of reasonable investment-backed expectations that give rise to a legitimate claim of exclusive control over the STC.

[10] We therefore hold that Rasmussen has a property interest in his STC under California law,[14] unless such an interest conflicts with federal law. We turn to that question now.

B. *Preemption*

Federal preemption takes three basic forms, all of which must be considered in this case. First, Congress may explicitly preempt state law; second, a federal scheme may occupy a given field and thus preempt state law in that field; and third, when compliance with both state and federal law is impossible the conflicting state law is preempted. See *California v ARC America Corp.*, 490 US 93, 100-01 (1989). Whatever the form, the key is whether the operation of state law "'stands as an

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[14] The district court's unwillingness to recognize a property interest here because it could not fit it into an intellectual property pigeonhole elevates nomenclature over substance. While we occasionally find it useful to refer to certain types of property as real, personal, intellectual or intangible, these labels have little substantive significance in determining whether a property right exists. The key question is not whether we can find a category of property into which the right fits, but whether there is any reason, in public policy or otherwise, we should deny a party the full benefit of its efforts where exclusive rights are reasonably easy to define and protect. Defendant has pointed to no such reason and we can think of none.

obstacle to the accomplishment and execution of the full purposes and objectives of Congress.'" *Kewanee Oil Co. v Bicron Corp.*, 416 US 470, 479 (1974) (quoting *Hines v Davidowitz*, 312 US 52, 67 (1941)).

1. Copyright Law Preemption

Copyright preemption is both explicit and broad: 17 USC § 301(a) prohibits state-law protection for any right equivalent to those in the Copyright Act. The drawings and plans involved in implementing the STC, and the flight manual supplement, are subject to copyright. 17 USC § 102(a). Thus, copyright provides the sole remedy for their unsanctioned duplication. See *Avco Corp. v Precision Air Parts, Inc.*, 210 USPQ 894, 897 (MD Ala 1980), affirmed, 676 F2d 494 (11th Cir), cert denied, 459 US 1037 (1982). And the STC certificate is a government form as to which no protection from copying exists. 17 USC § 105; see *Building Officials & Code Adm. v Code Technology, Inc.*, 628 F2d 730, 735 (1st Cir 1980). Were Rasmussen claiming an exclusive right to copy the manual, the drawings and plans or the STC itself, his claim would surely be preempted by the Copyright Act.

Rasmussen claims a much different interest, however: The right to *use* the STC as a basis for obtaining an airworthiness certificate for an airplane that is modified in a particular way. Rasmussen thus complains not about the actual copying of the documents, but of their use as a shortcut in obtaining a valuable government privilege — the right to modify an airplane in a particular way without going to the trouble and expense of proving that the modification meets FAA standards.

[11] Federal copyright law governs only copying. See 17 USC § 106. We have held that "[s]ection 301(a) [of the Copyright Act] preempts a state-created right if that right may be abridged by an act which, in and of itself, would infringe one of the exclusive rights listed in § 106. But if violation of the state right is predicated upon an act incorporating elements

beyond mere reproduction or the like, there is no preemption." *Oddo v Ries*, 743 F2d 630, 635 (9th Cir 1984) (internal quotations, brackets and citations omitted). Enforcement of Rasmussen's property right in his STC leaves Kalitta free to make as many copies of the certificate as it wishes; to the extent the manual supplement is not protected by the copyright laws, the same is true of it. That Kalitta is prevented from then using these copies to obtain an airworthiness certificate from the FAA does not interfere in any way with the operation of the copyright laws.

2. Patent Law Preemption

A somewhat closer issue is presented with respect to patent law, which establishes a zone of preemption broader than that of copyright law: Even if Congress has left an area unprotected, the fact that patent law *could* reach it preempts state-law protection. See *Sears, Roebuck & Co. v Stiffel Co.*, 376 US 225, 230-32 (1964); *Compco Corp. v Day-Brite Lighting, Inc.*, 376 US 234, 237-38 (1964). Congress has balanced innovation incentives against promoting free competition, and state laws upsetting that balance are preempted. Thus, a machine or process that does not satisfy the requirements of federal patent law — non-obviousness and the like — cannot be protected under either federal or state law. For this reason, the instruments required to modify the plane in accordance with the STC, and the entire modification process, must be protected by patent law or not at all. See *Bonito Boats, Inc. v Thunder Craft Boats, Inc.*, 489 US 141, 156-57 (1989).

The supremacy clause does not require full congruence between federal and state intellectual property protections, however. See *Goldstein v California*, 412 US 546 (1973) (federal copyright law does not preempt state copyright law providing greater protection); *Kewanee Oil*, 416 US 470 (federal patent law does not preempt state trade secret law protecting unpatentable processes). The Supreme Court has summarized its

preemption approach as follows: "States may not offer *patent-like protection* to intellectual creations which would otherwise remain unprotected as a matter of federal law." *Bonito Boats*, 489 US at 156 (emphasis added). In that case, the Court struck down a state statute that prohibited copying boat hull designs: "[T]he Florida statute allows petitioner to [ ] assert a substantial property right *in the idea*, thereby constricting the spectrum of useful public knowledge." Id at 159 (emphasis added).

The right involved here, however, is not "patent-like" at all. Rasmussen claims no exclusive right to modify DC-8s as described in his STC. Kalitta or anyone else may perform the necessary studies and obtain an STC from the FAA — even if the modification so certified is identical to Rasmussen's. See *Doyn Aircraft, Inc. v Wylie*, 443 F2d 579, 580 n 1 (10th Cir 1971) ("[STCs] do not ... grant exclusive rights since any number of people can acquire an STC for the same type of modification.").

In *Aronson v Quick Point Pencil Co.*, 440 US 257 (1979), the Court held that a state contract law enforcing a royalty agreement for an unpatentable invention was not preempted. The Court reviewed the purposes of the patent system: to foster and reward invention, stimulate further innovation and ensure free use of ideas in the public domain. Because the contract involved did not conflict with any of these goals, its enforcement was not preempted by federal patent law. Protecting property rights in STCs is similarly consistent with these objectives: Rasmussen can collect the fruits of his research, which provides both specific and general incentives to innovate, while his modifications will stimulate further innovation; at the same time, no information in the public domain is denied free circulation. The STC itself discloses the results of Rasmussen's testing and experimentation in coming up with the optimal combination of weight and speed; Kalitta need perform only those tests and studies that establish the safety of Rasmussen's modification to obtain its own STC.

[12] Granting Rasmussen a property right in his STC will serve many of the same purposes of the patent laws, because it will promote innovation in the field of aeronautics. But, as the Supreme Court has said, "[c]ertainly the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention." *Kewanee Oil*, 416 US at 484. There is no patent law preemption.

3. Federal Aviation Act Preemption

Finally, we must consider whether recognizing a property right in STCs would impermissibly conflict with the federal aviation regulatory scheme. At the outset, neither the Federal Aviation Act nor its accompanying regulations explicitly preclude recognition of a property right in STCs. The statute does contain a provision which preempts state law "relating to rates, routes, or services," 49 USC § 1305, but this provision is inapplicable to the question before us.

Nor do any of the substantive provisions create a conflict, as was the case in *In re Holiday Airlines, Inc.*, 620 F2d 731 (9th Cir), cert denied, 449 US 900 (1980). In *Holiday Airlines*, we held that the statutory federal recording system for aircraft liens preempts state recording requirements; the decision was based largely on "[t]he predominant purpose of the statute," which was "to provide one central place for the filing of such liens...." Id at 735. Allowing individual state recording requirements to control would have impermissibly conflicted with this goal of uniformity. See *In re Peregrine Entertainment, Ltd.*, 116 BR 194, 200-01 (CD Cal 1990).

Here, by contrast, the purpose of the statute and regulations governing STCs is "to promote the safety of flight of civil aircraft in air commerce by establishing minimum standards for aircraft design, materials, workmanship, construction, and performance." *Varig Airlines*, 467 US at 804 (citing 49 USC § 1421). Recognizing a property right in STCs would not conflict with this guiding purpose. In fact, to the extent innovators like

Rasmussen retain control over the certificated modifications, safety will likely be enhanced: The Supreme Court has noted that "the duty to ensure that an aircraft conforms to FAA safety regulations lies with the *manufacturer and operator*," id at 816 (emphasis added), but Rasmussen can hardly monitor compliance if he does not know who has run off a copy of his STC on an office copier and used it to obtain airworthiness certification for an unsafe modification. Recognizing Rasmussen's property interest enables him to maintain closer control over the alteration process, and to notify licensees of problems or improvements in the modification.

We note also that without the exclusive right to capture the benefits of the time, money and expertise invested in obtaining an STC, entrepreneurs like Rasmussen will be less likely to devote their resources and energies toward aeronautical innovation. Many modifications undoubtedly increase safety or otherwise benefit the field of aviation; because recognizing a property right in STCs encourages such developments, the purposes of the federal scheme are actually advanced.

Furthermore, "when Congress legislates in a field traditionally occupied by the states, such as common law tort and contract remedies in business relationships, there is a presumption against finding preemption of state law." *West v Northwest Airlines, Inc.*, 923 F2d 657, 659 (9th Cir 1990) (citing *ARC America Corp.*, 490 US at 100-01). We held in *West* that the Federal Aviation Act did not preempt a state-law claim when compliance with state law did not conflict with the federal regulations. Id at 661; see also *Nader v Allegheny Airlines, Inc.*, 426 US 290, 299-300 (1976).

[13] We reach the same conclusion here. The relevant regulations confer exclusive privileges on the holder of an STC, and provide for transfer and licensing. See 14 CFR §§ 21.119, 21.47. Where federal regulations contemplate the same type of right sought to be enforced under state law, we are all the more

reluctant to find preemption. See *West*, 923 F2d at 661 & n 1. Compliance with both the federal regulations and state property law would place no one "in an untenable position when the agency and a court disagreed...." *Nader*, 426 US at 299. Recognizing a property right in STCs would not frustrate the Federal Aviation Act or the regulations promulgated thereunder.

* * *

Because STCs are beyond the scope of copyright, because their protection does not upset the balance established by Congress in the patent scheme, and because recognizing a property right in STCs does not conflict with the aviation statutes or regulations, we hold that Rasmussen's state-law actions are not preempted by federal law.

C. *State-Law Claims*

1. The Pirated STC

[14] In California, conversion has three elements: ownership or right to possession of property, wrongful disposition of the property right and damages. *Tyrone Pacific Int'l, Inc. v MV Eurychili*, 658 F2d 664, 666 (9th Cir 1981). Our earlier discussion establishes the first element: Rasmussen has an ownership interest in the use of his STC, which is property under California law. The second requirement is also satisfied: Kalitta photocopied the certificate, presented it to the FAA, and thereby obtained a valuable benefit as a consequence of using Rasmussen's STC without authorization or permission. Rasmussen has also suffered damages by being denied a return on his investment as a condition for granting Kalitta the right to use his STC. Thus, under California law, Kalitta tortiously converted Rasmussen's STC when it used the STC to obtain airworthiness certification for the modified DC-8.[15] See *Lone Ranger*

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[15] Kalitta concedes that if it had "entered Rasmussen's premises" and taken the STC documents, then it would have converted them and, furthermore, there would be no preemption. Appellee's Brief at 34 & n 19. We fail

Television, Inc. v Program Radio Corp., 740 F2d 718, 726 (9th Cir 1984) (affirming judgment for conversion of intangible rights under California law); *A & M Record, Inc. v Heilman*, 75 Cal App 3d 554, 570 (1977) ("misappropriation and sale of the intangible property of another without authority from the owner is conversion"), cert denied, 436 US 952 (1978).

[15] Rasmussen also alleges that Kalitta has been unjustly enriched. Under California law, a contract will be implied when one party has something which "in equity and good conscience" it ought not. *Philpott v Superior Court*, 1 Cal 2d 512, 522 (1934) (quoting 3 Page on Contracts § 1473) (internal quotations omitted). Kalitta has materially benefitted from the pirated STC: Its DC-8 can now carry substantially more cargo, and the parties agree that use as a cargo plane would be economically infeasible without the modification. Conversely, Kalitta has been spared the delay and expense it would have had to incur in obtaining its own STC. This benefit is due solely to Rasmussen's STC, for which Kalitta has paid nothing. Confronted with such facts, the California courts would imply a contract between Rasmussen and Kalitta. On remand, the district court shall fix its terms based on further evidence.

2. The Other Planes

In addition to the converted DC-8 with the pirated STC, Kalitta owns two other planes that had been modified with Rasmussen STCs by their prior owners.

One, a DC-8-21 freighter, was previously owned by Jet Way, to which Rasmussen had licensed an STC. The Jet Way

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to see any legal distinction between Kalitta's hypothetical and the facts before us: Kalitta's use of the photocopied STC deprived Rasmussen of his property right as surely as if Kalitta had purloined the original STC from Rasmussen's desk drawer and presented it to the FAA. The property right is in the *use* of the STC to obtain a governmental privilege, not in the physical possession of the STC form.

contract is a "license agreement" to install a Rasmussen STC upon payment of $25,000 plus $200 per month, and under which Jet Way agreed to maintain $10,000,000 of accident insurance on Rasmussen's behalf. Kalitta purchased Jet Way's assets, including the DC-8-21; Rasmussen asked Kalitta for monthly payments in accordance with the license, but Kalitta claimed it bought the plane "unencumbered."

The other, a DC-8-51 freighter, was previously owned by Lockheed, to which Rasmussen had licensed an STC. Lockheed sold the plane to Maldives, which in turn sold it to Kalitta. Kalitta claims no knowledge of the license agreement between Rasmussen and Lockheed, which is styled a "purchase agreement" whereby Lockheed is granted an "irrevocable license" to use the STC for the operating life of the aircraft. This license, for which Lockheed paid $58,000, also requires the licensee to maintain $10,000,000 of accident insurance on Rasmussen's behalf.

Both contracts provide that all rights under them are transferable and assignable, and that all obligations are binding on successors; both identify specifically the airplanes to which they apply. Whatever rights Rasmussen has against Kalitta must be in the latter's capacity as an assignee or third-party beneficiary of the license agreements:[16] As to these two planes, Kalitta has not infringed Rasmussen's property right in his STC, because it did not use the STC to obtain airworthiness certificates from the FAA.

Any contracts between the original licensees and Kalitta, however, do not appear in the record. Furthermore, Rasmussen sued only for conversion and unjust enrichment — not breach of contract. We therefore leave resolution of the claims relating to these two planes, if any, to the district court on remand.

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[16] Rasmussen might also have an action against the original licensees.

Conclusion

The use of an STC to obtain a governmental privilege is a property right under California law, and the protection of that property interest is not preempted by federal law; Rasmussen has stated valid claims for conversion and unjust enrichment.

AFFIRMED in part, **REVERSED** in part and **REMANDED** for further proceedings consistent with this opinion.

APPENDIX B

CASE NO. CV 89-1339 RG

United States District Court

CENTRAL DISTRICT OF CALIFORNIA

G.S.RASMUSSEN & ASSOCIATES,INC.,
Plaintiff,

v.

KALITTA FLYING SERVICE, INC.,
and CONNIE KALITTA SERVICES, INC.,
Defendants.

MEMORANDUM OPINION AND ORDER GRANTING MOTION FOR SUMMARY JUDGMENT

The Defendants' Motion for Summary Judgment and Motion for Leave to Amend their Answer came on regularly for hearing on April 23, 1990. W. Montgomery Jones appeared on behalf of Plaintiff while the Defendants were represented by Darryl Cordero and Robert H. Morse.

Upon careful consideration of the pleadings, declarations and oral arguments of counsel, this Court finds that there are no genuine issues of material fact and that the Defendants are entitled to summary judgment pursuant to F.R.Civ.P. Rule 56(b) based on the following findings of fact and conclusions of law:

FINDINGS OF FACT

The Federal Aviation Administration ("FAA") issues "Type Certificates" on all aircraft, which allows the plane to fly

within certain specifications (e.g., altitude, airspeed, payload capacity) based on FAA safety standards. *See* 14 C.F.R. §§ 21.11 *et seq.* (Jan. 1, 1989).

A Supplemental Type Certificate ("STC") is a plan modifying the design of an aircraft in some manner beyond the original Type Certificate issued. An STC allows the aircraft to fly with some sort of design modification with FAA approval. The regulatory scheme for STCs found at 14 C.F.R. §§ 21.111 - 21.119, is separate and distinct from the regulation of Type Certificates.

Plaintiff G.S. Rasmussen & Associates, Inc. ("Rasmussen") designed an STC relating to payload increases for DC-8 aircraft. To modify a DC-8 airplane to fly with the Rasmussen STC requires a copy of the STC, a flight manual supplement, three component instruments, and instructions for installing the hardware ("STC Implementation Kit").

Plaintiff admits that none of the hardware or any of the documents that comprise the Rasmussen STC Implementation Kit can be patented, copyrighted, or protected under trade secret law. In the aviation industry, the holder of an STC such as Plaintiff derives income by licensing the STC and Implementation Kit to third parties who want to modify their aircraft.

Because the STC and the Implementation Kit are not protected by patent, copyright, or trade secret law, the primary method for the holder to "protect" its ability to derive income from licensing its STC is through a contract restricting dissemination of the information and hardware.[1] Plaintiff's licensing

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[1] In the present case, Stanmore Corporation's (Plaintiff's predecessor in interest) contract with Lockheed Financial Corporation for an irrevocable transfer of the Rasmussen STC and Implementation Kit contained the following clause:

"The PROGRAM is the proprietary information, invention, and trade secret of SELLER and G.S. Rasmussen, who is the acknowledged owner thereof and BUYER agrees to protect the trade secrets . . . BUYER agrees

agreements also required the licensee to inform Rasmussen of any subsequent transfers the aircraft modified with his STC.

Another way for the STC holder to "protect" its design is to keep tight control over the manufacture and repair of the component instruments needed to implement the STC. The hardware necessary to implement the Rasmussen STC are manufactured and serviced exclusively by A. Biederman. Plaintiff Rasmussen, through its subcontractor Biederman, is the only entity with FAA authority to manufacture or repair the instruments for the Rasmussen STC.

The STC holder must resort to the tactics outlined above to protect its ability to derive income from its design because the Federal Aviation Administration does not police acts of STC "pirating." The FAA's overriding concern is with safety, so as long as an STC-modified aircraft meets safety standards, the FAA is satisfied and does not inquire as to whether the STC has been properly licensed.[2]

Defendant Connie Kalitta Services, Inc. ("Kalitta"), acquired two DC-8 aircraft — a DC-8-21 and a DC-8-51 — both already equipped with Rasmussen STC Implementation Kits.

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that it will not use the documentation provided by the SELLER to develop its own DC-8 zero-fuel-weight-increase program, nor will it provide said documentation to a third party for purposes of developing a DC-8 zero-fuel-weight program."

[2] Plaintiff admits that "[t]he FAA will not take part in private enforcement of infringement or conversion by people who do not have the right to use a STC because they did not obtain that right from the holder. . . . The FAA person issuing the 'airworthiness certificate' never inspected the aircraft and never inquired from the aircraft owner whether or not a 'license' has been obtained. The FAA at this point is only interested in 'aircraft safety' and does not wish to get involved in arguments between the holders of STCs and those individuals who might seek to infringe upon the rights of holders. The FAA will simply do nothing." Plaintiff's Opposition Memorandum, at 14-15.

The previous owners of the two DC-8 aircraft had entered into licensing agreements with Plaintiff's predecessor in interest, Stanmore Corporation.[3] Neither of these licensing agreements were assigned to Defendant Kalitta.

The passenger DC-8-51 that Defendant Kalitta obtained from Maldives was not previously modified with the Rasmussen STC nor equipped with the Implementation Kit. Defendant Kalitta decided to convert this passenger DC-8-51 into a freighter. Kalitta sent the plane to a company called Aerounion in Chico, California, to have a freight door installed.

Plaintiff Rasmussen became aware of Defendant's plans to convert the DC-8-51 into a freighter. Rasmussen first inquired whether the Stanmore-Lockheed licensing agreement pertaining to the modified DC-8-51 had ever been assigned to Kalitta. Defendant Kalitta had no knowledge of the licensing agreement between Stanmore and Lockheed when it bought the two DC-8-51 aircraft from Maldives.

Rasmussen also asked if Defendant Kalitta would be interested in entering into a licensing agreement for an STC on its DC-8-51 that was being converted into a freighter. When Rasmussen asked for $95,000 for his STC, Defendant Kalitta refused to enter into a contract at that price.

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[3] Lockheed Financial Corporation entered into a licensing agreement with Stanmore to modify a DC-8-51 with the Rasmussen STC Implementation Kit. Lockheed sold the modified DC-8-51 freighter to Maldives Airways, Limited ("Maldives"), a foreign airline operating outside of the United States. In turn, Maldives sold the modified DC-8-51 to Defendant Kalitta along with another passenger DC-8-51 that was not equipped with the Rasmussen STC Implementation Kit.

Jetway, Inc. ("Jetway") entered into a licensing agreement with Stanmore to modify a DC-8-21 with the Rasmussen STC Implementation Kit. In December of 1983, Defendant Kalitta purchased the assets, but not the stock or contractual obligations, of Jetway. Included in this sale was the DC-8-21 modified with the Rasmussen STC Implementation Kit.

At this point, Defendant Kalitta decided to "pirate" the Rasmussen STC and install it on the converted DC-8-51. Defendant Kalitta admits that it had "pirated" other STC's in the past and "had never encountered any problems from third parties from doing this." Defendant's Opposition Papers, at 16, lines 12-16.

The Defendant's modified DC-8-51 already contained all of the documentation necessary to obtain an FAA "airworthiness" certificate for the Rasmussen STC modification: a copy of the STC itself and the flight manual supplement, along with all of the necessary drawings and instructions to install the hardware. None of these materials were stamped "Proprietary Information" and none are patented, copyrighted, or protected by trade secret law.

All Kalitta now needed were the three component instruments. Defendant already possessed two of the three instruments. The mach warning switch was salvaged from the modified DC-8-21 (purchased from Jetway) that Defendant ended up scrapping. Included in the inventory purchased from Maldives Airways was a spare airspeed indicator.

Defendant Kalitta used a parts locating system to acquire the final instrument, another airspeed indicator, from a source in Miami, Florida. Kalitta even sent some of these instruments to Rasmussen's exclusive parts source, A. Biederman, who went ahead and performed the repair work, apparently without Rasmussen's authorization. Again, none of these component parts are patented or protected by trade secret law.

Using these "scrap" component instruments along with the documents that came with its already modified DC-8-51, Defendant Kalitta successfully "pirated" the Rasmussen STC and Implementation Kit and installed it on its converted DC-8-51.

Defendant Kalitta had the necessary paperwork to obtain an FAA "airworthiness" certificate on the newly-modified DC-

8-51. Defendant Kalitta is currently flying both modified DC-8-51 aircraft with airworthiness certificates approved by the FAA.

Neither the Stanmore-Lockheed nor the Stanmore-Jetway licensing agreements were ever assigned to Kalitta, and there is no current contract between Plaintiff Rasmussen and Defendant. Plaintiff Rasmussen has not asserted any breach of contract claims against Lockheed or Jetway.

CONCLUSIONS OF LAW

As a matter of law, Plaintiff Rasmussen does not have an intellectual property right in the STCs or the STC Implementation Kits forming the subject matter of this case. Plaintiff has neither a patent nor copyright on the STC itself, nor on the documents and component instruments that comprise the STC Implementation Kit.

The essence of Plaintiff Rasmussen's awkwardly pled claims for "Conversion" and "Unjust Enrichment" is the protection of an intellectual property right in the STC and the documents and instruments that comprise the STC Implementation Kit. Plaintiff cannot create a "quasi-" intellectual property right in STCs simply by quoting sections of the California Civil Code[4] and then concluding that "[i]t is the basic law in the State of California, and elsewhere, that 'rights created by statute' constitute 'property'." Plaintiff's Opposition Memorandum, at 12, lines 14-15.

Furthermore, it would be futile to assert common law intellectual property right claims in the STCs or the documents and instruments forming the STC Implementation Kit because such claims are preempted by federal copyright and patent laws.

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[4] Plaintiff quotes the full text of Cal.Civ.Code §§ 654 and 655 (West 1982) with no further explanation. *See* Plaintiff's Opposition Memorandum, at 11-12.

See Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 109 S.Ct. 971, 975, 103 L.Ed.2d 118 (1989); *See also Avco Corporation v. Precision Air Parts. Inc.*, 210 U.S.P.Q. 894 (M.D. Ala. 1980) (dismissing claims of state common law copyright infringement, misappropriation of trade secrets and unfair competition as preempted by Copyright Revision Act of 1976, where defendant copied plaintiff's drawings and documents to obtain FAA certification to manufacture parts covered by plaintiff's Type Certificate), *aff'd on other grounds*, 676 F.2d 494 (11th Cir.) *cert. denied*, 459 U.S. 1037 (1982).

Defendant's Motion for Summary Judgment is also GRANTED as to the Plaintiff's third claim entitled "Implied Federal Right to Damages and Injunctions." As a matter of law, there is no implied private right of action arising from the Federal Aviation Act or its implementing regulations. An analysis under *Cort v. Ash*, 422 U.S. 66, 78 (1975), does not permit the inference of a private right of action to create and enforce intellectual property rights from the applicable legislation or underlying FAA regulation.

In Paragraph 19 of the Second Amended Complaint, Plaintiff Rasmussen attempts to articulate its theory of recovery based on the *Cort* analysis:

> [T]he United States Government by granting the right to plaintiff to license its STC to third parties, in the Federal Statute authorizing the creation of the Federal Aviation Regulations, has, by implication, established the right of plaintiff to collect damages from the unlawful use of plaintiff's STC by non-licensees described herein, as well as to enforce and enjoin the unlawful use of plaintiff's STC by non-licensee of the same.

Plaintiff Rasmussen's attempt to imply a private cause of action in an FAA regulation fails in numerous respects.

First, contrary to the averment above, the federal *statute* authorizing the creation of the FAA regulations makes no mention whatsoever of Supplemental Type Certificates or their licensing. What Plaintiff Rasmussen is relying on in its attempt to create an implied private cause of action is a federal *regulation*, which is merely permissive in allowing holders of Type Certificates to transfer or make their Type Certificates available through licensing agreements. *See* 14 C.F.R. § 21.47 (Jan. 1, 1990).[5]

It must be noted, however, that Section 21.47 applies only to FAA Type Certificates, which are not even at issue in this action. Plaintiff Rasmussen is the holder of a *Supplemental* Type Certificate, and the regulatory scheme for STCs found at 14 C.F.R. §§ 21.111 - 21.119 (Jan. 1, 1990), contains no provision analogous to § 21.47 regarding the "Transferability" of Type Certificates.

Neither the Type Certificate sections (14 C.F.R. §§ 21.11 - 21.101) nor the Supplemental Type Certificate sections (14 C.F.R. §§ 21.111 - 21.119) contain any language indicating that the Type Certificate "Transferability" provision (§ 21.47) should apply to STCs as well.

The fact that the FAA regulations have completely separate sections regulating Type Certificates, as opposed to Supplemental Type Certificates, would seem to indicate that they are to be treated differently, with no "cross-over" provisions unless specifically indicated. Plaintiff offers no legal or textual support for his presumption that § 21.47 applies to the Rasmussen STC.

Even assuming that the Type Certificate "Transferability" provision applies to the Rasmussen Supplemental Type Certifi-

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[5] Section 21.47 provides in pertinent part: "A type certificate may be transferred to or made available to third persons by licensing agreements. Each grantor shall . . . notify in writing the appropriate FAA Regional Office. The notification must state the name and address of the transferee or licensee, date of the transaction, and in the case of a licensing agreement, the extent of authority granted the licensee." 14 C.F.R. § 21.47 (Jan. 1, 1990).

cate, Plaintiff's implied cause of action theory fails before it even gets started. In *Cort*, the Supreme Court articulated a four-pronged test to determine whether a private cause of action could be implied from a federal statute.[6] The *Cort* analysis, however, is inapplicable here since Plaintiff Rasmussen is relying on a federal regulation, not a statute enacted by Congress, as the sole basis for implying a private cause of action.

Plaintiff apparently recognizes this flaw in its argument,[7] but offers only the following as authority in its attempt to expand the holding of *Cort*:

> In the *Cort* decision the court held that the following factors are relevant in determining whether a private remedy is implicit in a statute (and, *presumably a regulation*) where such a private remedy is not explicitly provided therein . . .

Opposition Memorandum, at 18, lines 14-17 (emphasis added). Plaintiff offers absolutely no legal authority, or even policy justification, for bringing federal regulations within the reach of *Cort*.

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[6] "First, is the plaintiff 'one of the class for whose *especial* benefit the statute was enacted,' — that is, does the statute create a federal right in favor of the plaintiff? Second, is there any indication of legislative intent, explicit or implicit, either to create such a remedy or to deny one? Third, is it consistent with the underlying purposes of the legislative scheme to imply such a remedy for the plaintiff? And finally, is the cause of action one traditionally relegated to state law, in an area basically the concern of the States, so that it would be inappropriate to infer a cause of action based solely on federal law?" 422 U.S. at 78 (citation omitted) (emphasis in original).

[7] Plaintiff states at page 18 of its Opposition Memorandum: "The leading Supreme Court case of *Cort v. Ash* (citation omitted) covers the legal principal of an implied cause of action resulting from a Federal Statute. In the case at hand it is clear that the FAA Regulations are established primarily to guarantee air safety and airworthiness of aircraft. However, they clearly contemplate private proprietary rights in Type Certificates and STCs." Lines 3-9.

There is no precedent for extending *Cort*'s analysis to federal regulations and today's ruling will not establish any. In fact, courts have shown extreme reluctance in implying private causes of action from the Federal Aviation Act, the statute authorizing the promulgation of the FAA Regulations. *See Montgomery v. American Airlines, Inc.*, 637 F.2d 607, 609-10 (9th Cir. 1980), *cert. denied*, 450 U.S. 920 (1981); *Wolf v. Trans World Airlines, Inc.*, 544 F.2d 134, 137-38 (3d Cir. 1976), *cert. denied*, 430 U.S. 915 (1977); *Polansky v. Trans World Airlines, Inc.*, 523 F.2d 332, 337-38 (3d Cir. 1975); *Sanders v. Air India*, 454 F.Supp. 1371, 1378 (S.D.N.Y. 1978).

Furthermore, the portion of the Federal Aviation Act creating the legislative authority[8] for the regulation relied upon by Plaintiff (14 C.F.R. § 21.47) is concerned with safety, not intellectual property rights. *See* 49 U.S.C. §§ 1423 (a) (1) and (2). Courts have specifically declined to find an implied private cause of action arising from this statutory chapter. *See Pavolini v. Bard-Air Corp.*, 645 F.2d 144, 146 (2d Cir. 1981); *Rauch v. United Instruments, Inc.*, 548 F.2d 452, 456-460 (3d Cir. 1976).

Accordingly, IT IS HEREBY ORDERED that the Defendant's Motion for Summary Judgment be GRANTED as to all of the Plaintiff's claims in the Second Amended Complaint.

/s/

Richard A. Gadbois, Jr.
United States District Judge

DATED: July 16, 1990

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[8] Part 21 in title 14 of the Code of Federal Regulations, on "Certification Procedures for Products and Parts," derives its legislative authority in pertinent part from 49 U.S.C. §§ 1421-31. *See* 14 C.F.R. part 21.

APPENDIX C

U.S. CONST. art. I, § 8, cl. 8.

The Congress shall have Power ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries ....

APPENDIX D

28 U.S.C.A. § 1254 (1) Courts of appeals; certiorari; appeal; certified questions

Cases in the courts of appeals may be reviewed by the Supreme Court by the following methods:

(1) By writ of certiorari granted upon the petition of any party to any civil or criminal case, before or after rendition of judgment or decree;

28 U.S.C.A. § 1254 (1) (West Supp. 1992).

49 App. U.S.C. § 1302. Consideration of matters in public interest by Board

(a) Factors for interstate, overseas, and foreign air transportation

In the exercise and performance of its powers and duties under this chapter, the Board shall consider the following, among other things, as being in the public interest, and in accordance with the public convenience and necessity:

(1) The assignment and maintenance of safety as the highest priority in air commerce, and prior to the authorization of new air transportation services, full evaluation of the recommendations of the Secretary of Transportation on the safety implications of such new services and full evaluation of any report or recommendation submitted under section 1307 of this Appendix.

(8) The maintenance of a comprehensive and convenient system of continuous scheduled interstate and overseas airline service for small communities and for isolated areas in the United States, with direct Federal assistance where appropriate.

(9) The encouragement, development, and maintenance of an air transportation system relying on actual and potential competition to provide efficiency, innovation, and low prices, and to determine the variety, quality, and price of air transportation services.

49 App. U.S.C. § 1302 (1988).

49 App. U.S.C. § 1423. Aircraft certificates

(a) Authorization to issue; application; investigation; tests; issuance of type certificate

(2) Any interested person may file with the Secretary of Transportation an application for a type certificate for an aircraft, aircraft engine, propeller, or appliance specified in regulations under paragraph (1) of this subsection. Upon receipt of an application, the Secretary of Transportation shall make an investigation thereof and may hold hearings thereon. The Secretary of Transportation shall make, or require the applicant to make, such tests during manufacture and upon completion as the Secretary of Transportation deems reasonably necessary in the interest of safety, including flight tests and tests of raw materials or any part or appurtenance of such aircraft, aircraft engine, propeller, or appliance. If the Secretary of Transportation finds that such aircraft, aircraft engine, propeller, or appliance is of proper design, material, specification, construction, and performance for safe operation, and meets the minimum standards, rules, and regulations prescribed by the Secretary of Transportation, he shall issue a type certificate therefor. The Secretary of Transportation may prescribe in any such certificate the duration thereof and such other terms, conditions, and limitations as are required in the interest of safety. The Secretary of Transportation may record upon any certificate issued for aircraft, aircraft engines, or propellers, a numerical determination of all of the essential factors relative to the performance of

the aircraft, aircraft engine, or propeller for which the certificate is issued.

49 App. U.S.C. § 1423 (1988).

APPENDIX E

Subpart B — Type Certificates

14 C.F.R. § 21.47 Transferability.

A type certificate may be transferred to or made available to third persons by licensing agreements. Each grantor shall, within 30 days after the transfer of a certificate or execution or termination of a licensing agreement, notify in writing the appropriate Aircraft Certification Office. The notification must state the name and address of the transferee or licensee, date of the transaction, and in the case of a licensing agreement, the extent of authority granted the licensee.

14 C.F.R. § 21.47 (1992).

Subpart E — Supplemental Type Certificates

14 C.F.R. § 21.115 Applicable requirements.

(a) Each applicant for a supplemental type certificate must show that the altered product meets applicable airworthiness requirements as specified in paragraphs (a) and (b) of § 21.101 and, in the case of an acoustical change described in § 21.93(b), show compliance with the applicable noise requirements of § 36.7 and § 36.9 of this chapter and, in the case of an emissions change described in § 21.93(c), show compliance with the applicable fuel venting and exhaust emissions requirements of part 34.

(b) Each applicant for a supplemental type certificate must meet §§ 21.33 and 21.53 with respect to each change in the type design.

14 C.F.R. § 21.115 (1992).

14 C.F.R. § 21.117 Issue of supplemental type certificates.

(a) An applicant is entitled to a supplemental type certificate if he meets the requirements of §§ 21.113 and 21.115.

(b) A supplemental type certificate consists of —

(1) The approval by the Administrator of a change in the type design of the product; and

(2) The type certificate previously issued for the product.

14 C.F.R. § 21.117 (1992).

14 C.F.R. § 21.119 Privileges.

The holder of a supplemental type certificate may —

(a) In the case of aircraft, obtain airworthiness certificates;

(b) In the case of other products, obtain approval for installation on certificated aircraft; and

(c) Obtain a production certificate for the change in the type design that was approved by that supplemental type certificate.

14 C.F.R. § 21.119 (1992).

Subpart G — Production Certificates

14 C.F.R. § 21.133 Eligibility.

(a) Any person may apply for a production certificate if he holds, for the product concerned, a-

(1) Current type certificate;

(2) Right to the benefits of that type certificate under a licensing agreement; or

(3) Supplemental type certificate.

(b) Each application for a production certificate must be made in a form and manner prescribed by the Administrator.

14 C.F.R. § 21.133 (1992).

14 C.F.R. § 21.135 Requirements for issuance.

An applicant is entitled to a production certificate if the Administrator finds, after examination of the supporting data and after inspection of the organization and production facilities, that the applicant has complied with §§ 21.139 and 21.143.

14 C.F.R. § 21.135 (1992).

14 C.F.R. § 21.137 Location of manufacturing facilities.

The Administrator does not issue a production certificate if the manufacturing facilities concerned are located outside the United States, unless the Administrator finds no undue burden on the United States in administering the applicable requirements of the Federal Aviation Act of 1958 or of the Federal Aviation Regulations.

14 C.F.R. § 21.137 (1992).

14 C.F.R. § 21.139 Quality control.

The applicant must show that he has established and can maintain a quality control system for any product, for which he requests a production certificate, so that each article will meet the design provisions of the pertinent type certificate.

14 C.F.R. § 21.139 (1992).

14 C.F.R. § 21.143 Quality control data requirements; prime manufacturer.

(a) Each applicant must submit, for approval, data describing the inspection and test procedures necessary to ensure that each article produced conforms to the type design and is in a condition for safe operation, including as applicable-

(1) A statement describing assigned responsibilities and delegated authority of the quality control organization, together with a chart indicating the functional relationship of the quality control organization to management and to other organizational components, and indicating the chain of authority and responsibility within the quality control organization;

(2) A description of inspection procedures for raw materials, purchased items, and parts and assemblies produced by manufacturers' suppliers including methods used to ensure acceptable quality of parts and assemblies that cannot be completely inspected for conformity and quality when delivered to the prime manufacturer's plant;

(3) A description of the methods used for production inspection of individual parts and complete assemblies, including the identification of any special manufacturing processes involved, the means used to control the processes, the final test procedure for the complete product, and, in the case of aircraft, a copy of the manufacturer's production flight test procedures and checkoff list;

(4) An outline of the materials review system, including the procedure for recording review board decisions and disposing of rejected parts;

(5) An outline of a system for informing company inspectors of current changes in engineering drawings, specifications, and quality control procedures; and

(6) A list or chart showing the location and type of inspection stations.

(b) Each prime manufacturer shall make available to the Administrator information regarding all delegation of authority

to suppliers to make major inspections of parts or assemblies for which the prime manufacturer is responsible.

14 C.F.R. § 21.143 (1992).

United States of America

Department of Transportation — Federal Aviation Administration

Supplemental Type Certificate

DEPOSITION EXHIBIT #14 11-14-89 dgp

Number SA4080WE

This certificate issued to G. S. Rasmussen

certifies that the change in the type design for the following product with the limitations and conditions thereon as specified hereon meets the airworthiness requirements of Part 4b of the Civil Air Regulations.

Original Product — Type Certificate Number: 4A25

Make: McDonnell Douglas

Model: DC-8-51

Description of Type Design Change: Modifications in accordance with FAA sealed G. S. Rasmussen Drawing No. 51400001 dated 12/26/79, or later sealed revision, to permit an increase in maximum allowable zero fuel weight. The FAA approved G. S. Rasmussen Supplement No. A dated April 18, 1980, to DC-8 Airplane Flight Manual DJ-30582 is required as a part of this approval. (See Continuation Sheet 3 for revised limits).

Limitations and Conditions: The approval of this change in type design applies to McDonnell Douglas DC-8-51 airplanes only. This approval should not be extended to other aircraft of this model on which other previously approved modifications are incorporated unless it is determined by the installer that the interrelationship between this change and any of those other previously approved modifications will introduce no adverse effect upon the airworthiness of that aircraft. This determination should include consideration of significant changes in weight distribution such as an increase in the fixed disposable weight in the fuselage.

This certificate and the supporting data which is the basis for approval shall remain in effect until surrendered, suspended, revoked, or a termination date is otherwise established by the Administrator of the Federal Aviation Administration.

Date of application: December 26, 1979

Date issued:

Date of issuance: August 21, 1980

Date amended:

By direction of the Administrator

(Signature)

Acting Chief, Aircraft Engineering Division

(Title)

Any alteration of this certificate is punishable by a fine of not exceeding $1,000, or imprisonment not exceeding 3 years, or by

FAA Form 8110-2(10-68)

This certificate may be transferred in accordance with FAR

EXHIBIT Q 309

d/21/80 (I)

Supplemental Type Certificate

(Continuation Sheet)

Number SA4080WE

The following data is the only change to that in Section XII - Model DC-8-51, in Type Certificate Data Sheet 4A25.

44a

Airspeed Limits (IAS)

V_{mo}	(Maximum Operating - S.L.)	315K*
V_{mo}	(Maximum Operating - 33,200 ft.)	315K* (M=0.88)
M_{mo}	(Maximum Operating - 42,000 ft.)	258K* (M=0.88)

*Straight line variation between values shown.

C.G. Range

	C. G. Limit Fwd.	C. G. Limit Aft.*
At MZFW and Max. Ramp Wgt. up to 276,000	853.7**	880.2**
At MZFW and Max. Ramp Wgt. of 278,000	853.7**	871.2

* Straight line variation between values shown.

** For aircraft Serial Number 45807, if DC-8 Service Bulletin 53-69 or its production equivalent which permit a Max. ZFW of 176,500 lbs. is incorporated:

The forward C. G. limit shall be 849.4 and the aft C. G. limit for Max. Ramp Wgt. up to 276,000 lbs. shall be 881.3.

Maximum Weights

The Max. ZFW shall be 184,640 lbs.

- END -

Any alteration of this certificate is punishable by a fine of not exceeding $1,000, or imprisonment not exceeding 3 years, or both

FAA FORM 8110-2-1 (10-80)

This certificate may be transferred in accordance with FAR 21.47.

C FAA AC 72-1681

EXHIBIT
Q
310
ALL-STATE LEGAL SUPPLY CO.